



Vectren's 2008-2009 Winter Outlook

Niel Ellerbrook, Chairman & CEO

Service Territory

Vectren Energy Delivery of Indiana – North

- 568,000 gas customers

Vectren Energy Delivery of Indiana – South

- 112,000 gas customers
- 140,000 electric customers

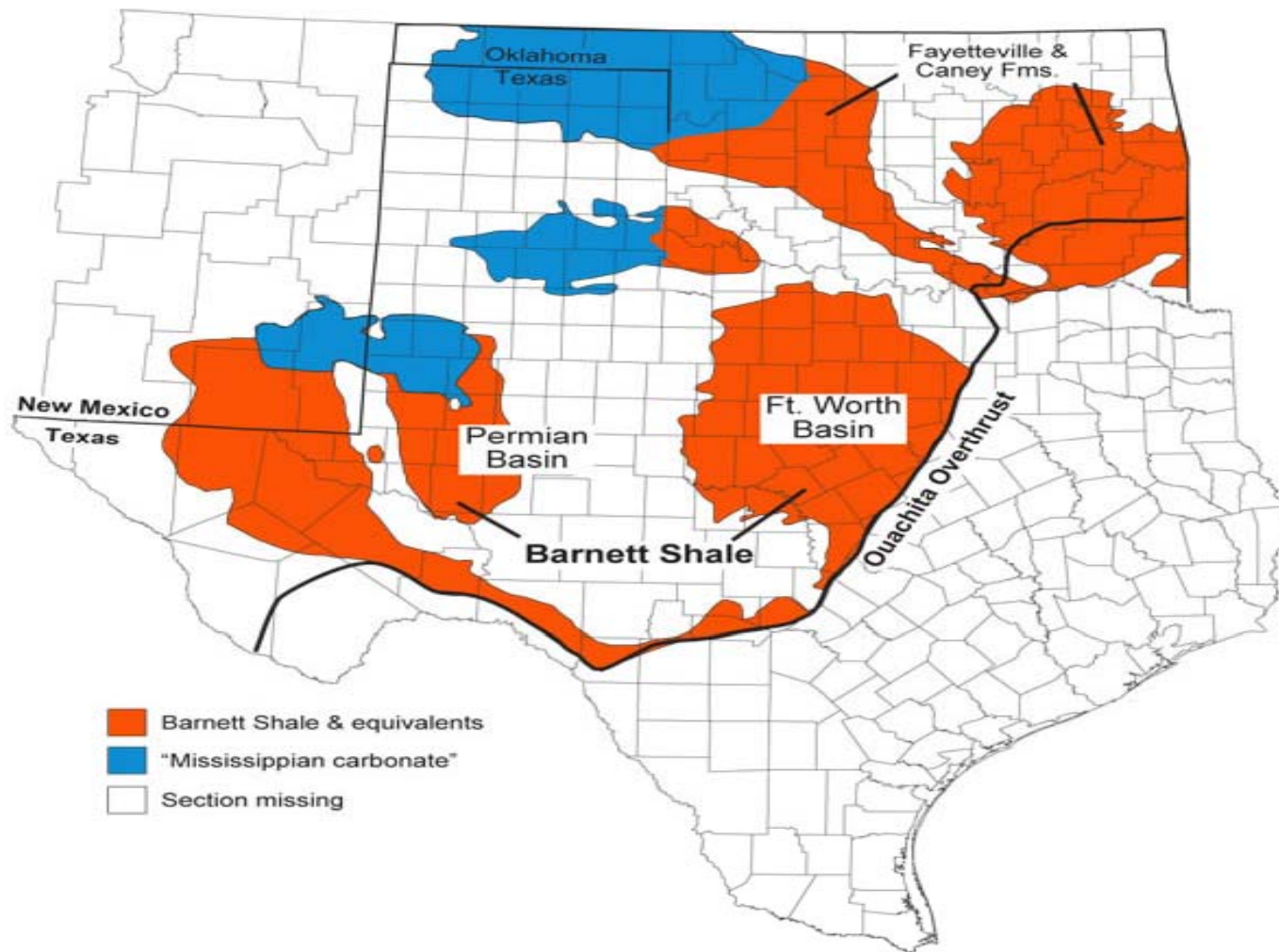


National Gas Supply Perspective

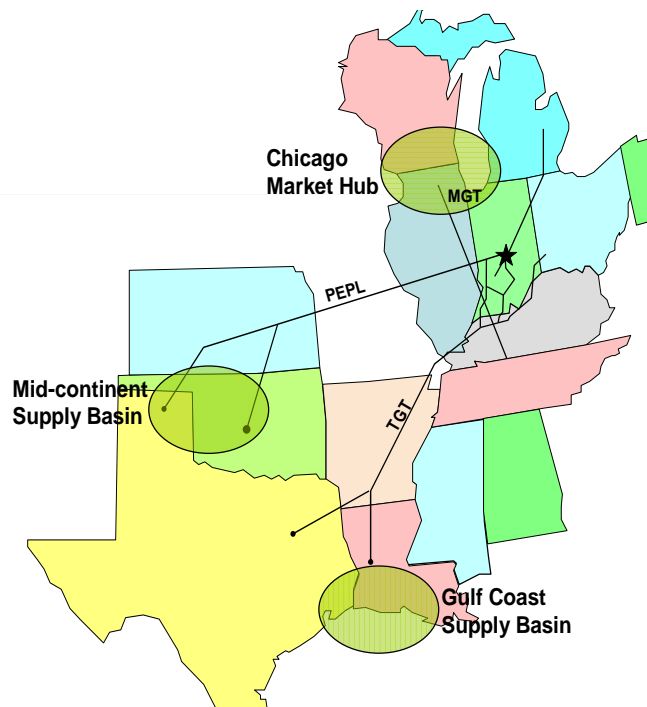
- Dramatic increases in shale gas production
- Technological advances like hydraulic fracturing and horizontal drilling have made shale gas an increasing important component of domestic gas production
- In 2002, shale gas accounted for 3% of Lower-48 production
- For 2008, shale gas will account for approximately 11% (6.1 BCF/D) of the Lower-48 total production
- PIRA estimates that by 2015, the combination of shale gas and tight sands production will reach 38.5 BCF/D or roughly 58% of the Lower-48 gas production

Major Shale Field Locations

- Barnett Shale Field located in Texas has the highest production rates at this time (3.92 BCF/D for 2008 and 5.0 BCF/D predicted for 2009)
- Haynesville Shale Field located in northwest Louisiana near Shreveport
- Fayetteville Shale Field located on the Arkansas side of the Arkoma Basin
- Woodford Shale Field located in Oklahoma
- Marcellus Shale Field located in the Appalachian basin



Gas Supply Sources for Vectren Energy Delivery of Indiana



- For Vectren North, 85% of the annual gas supply purchases originate from the Mid-continent supply basin on Panhandle Eastern Pipe Line while the remaining 15% are sourced from the Gulf Coast supply basin on Texas Gas Transmission
- For Vectren South, the annual gas supply purchases are evenly split between Gulf Coast supply basin on Texas Gas Transmission and the Chicago Hub on Midwestern gas Transmission

Vectren's Gas Purchasing Strategy

Objectives

- Mitigate price volatility for the gas sold to customers
- Purchase reliable gas supply

Targets

- Hedge up to 60% of annual purchases and at least 75% of winter deliveries to customers

Components

- Storage Gas
- Advance Purchases
- Market Purchases in Month of Delivery

Vectren's Gas Supply Hedge Program

- To hedge up to 75% of the normal winter season deliveries for Vectren North and Vectren South via the combination of fixed priced advance purchases and storage withdrawals.
- To hedge up to 60% of annual purchases for Vectren North and Vectren South via the combination of fixed priced advance purchases and the financial hedging of a portion of summer storage refill volumes.

Sources of Supply for Winter Deliveries

	<u>Vectren North</u>	<u>Vectren South</u>
Winter Season		
Storage	40%	40%
Advance Purchases	38%	40%
Market Purchases	22%	20%
System Supply Normal Demand	46.9 BCF	7.83 BCF
Peak Day		
Flowing	36%	40%
Storage	51%	60%
Propane/Peaking	13%	0%
System Supply Peak Day Demand	818,603 dth	180,842 dth

Current Status of Vectren Storage

	<u>Vectren North</u>	<u>Vectren South</u>
Company Storage	95%	95%
Contract Storage	96%	96%
Total Storage		
Contract Capacity	23.8 BCF	3.9 BCF
Normal Winter		
Season Withdrawals	18.9 BCF	3.2 BCF

Denotes Percent of Full Storage Quantity as of 10/24/2008

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Current Natural Gas Price Projections

Annual Average	NYMEX	Company A	Company B
2004	\$6.14		
2005	\$8.62		
2006	\$7.23		
2007	\$6.86		
2008	\$9.10		
2009	\$7.42	\$6.50	\$7.16
2010	\$7.86	\$7.10	\$7.27
2011	\$7.83	\$7.70	\$7.14
2012	\$7.72	\$8.00	\$7.37

2009-2012 reflects NYMEX closing prices as of October 17, 2008

VECTREN NORTH WINTER 2008 - 2009 Commodity & Demand Pricing

Status as of October 24, 2008

Hedge Plan Target is up to 75% of Normal Winter Season Deliveries

Line No.			Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	TOTAL	Avg Price
	VECTREN NORTH								
1	Projected Monthly Deliveries (Sales)	(A)	6,355,000	10,537,000	12,506,000	9,860,000	7,649,000	46,907,000	
	Physical Advance Purchases:								
2	Max Baseload Available to be Fixed		3,030,000	5,115,000	5,146,000	3,780,000	3,069,000	20,140,000	
3	Volumes Hedged (Fixed Price)		2,730,060	3,990,165	3,250,102	2,309,916	1,380,058	13,660,301	\$ 8.763
4	Planned Storage Withdrawals		1,665,226	3,351,608	5,844,685	4,678,292	3,377,642	18,917,453	
5	Volumes Hedged		1,665,226	3,351,608	5,844,685	4,678,292	3,377,642	18,917,453	\$ 8.334
6	Total Volumes Hedged		4,395,286	7,341,773	9,094,787	6,988,208	4,757,700	32,577,754	\$ 8.550
7	Percentage Hedged (L6/L1)								
8	Planned Winter Season Purchases at NYMEX closing prices on 10/24/08		1,959,714	3,195,227	3,411,213	2,871,792	2,891,300	14,329,246	\$ 5.150
9	Projected Average Winter Commodity Price								\$ 7.512
10	Projected Demand Cost per Unit								\$ 0.968
11	Projected GCA Winter Price per Unit								<u>\$ 8.480</u>
12	Actual Average Winter Comm Price 2007 - 2008								\$ 6.899
13	Actual Demand Cost per Unit								\$ 0.968
14	GCA Winter Price per Unit								<u>\$ 7.867</u>
15	Percentage Increase (Decrease) From Prior Winter	Commodity Price Only							8.88%
16	Percentage Increase (Decrease) From Prior Winter	GCA Winter Price per Unit not including variances							7.79%
(A)	Based on the 2009 budget volumes								

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VECTREN SOUTH WINTER 2008 - 2009 Commodity & Demand Pricing

Status as of October 24, 2008

Hedge Plan Target is up to 75% of Normal Winter Season Deliveries

Line No.			Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	TOTAL	Avg Price
	VECTREN SOUTH								
1	Projected Monthly Deliveries (Sales)	(A)	1,008,000	1,744,000	2,085,000	1,798,000	1,195,000	7,830,000	
	Physical Advance Purchases:								
2	Max Baseload Available to be Fixed		750,000	930,000	930,000	700,000	775,000	4,085,000	
3	Volumes Hedged (Fixed Price)		600,030	719,975	590,023	439,908	350,021	2,699,957	\$ 10.958
4	Planned Storage Withdrawals		58,443	750,000	1,055,221	791,197	465,139	3,120,000	
5	Volumes Hedged		58,443	750,000	1,055,221	791,197	465,139	3,120,000	\$ 9.616
6	Total Volumes Hedged		658,473	1,469,975	1,645,244	1,231,105	815,160	5,819,957	\$ 10.039
7	Percentage Hedged (L6/L1)								
8	Planned Winter Season Purchases at NYMEX closing prices on 10/24/08		349,527	274,025	439,756	566,895	379,840	2,010,043	\$ 6.602
9	Projected Average Winter Commodity Price								\$ 9.157
10	Projected Demand Cost per Unit								\$ 0.699
11	Projected GCA Winter Price per Unit								\$ 9.856
12	Actual Average Winter Comm Price 2007 - 2008								\$ 7.731
13	Actual Demand Cost per Unit								\$ 0.699
14	GCA Winter Price per Unit								\$ 8.430
15	Percentage Increase (Decrease) From Prior Winter	Commodity Price Only							18.44%
16	Percentage Increase (Decrease) From Prior Winter	GCA Winter Price per Unit							16.91%
(A)	Based on the 2009 budget volumes								

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Fixed Priced Purchases through November 2009

Vectren North Quarter

	Sept - Nov 08	Dec 08 - Feb 09	Mar 09 - May 09	Jun - Aug 09	Sept - Nov 09
FIXED VOLUME	5,597,082	9,550,183	2,280,076	900,036	600,018
PERCENT FIXED	90%	68%	37%	19%	20%
TARGET	70-100%	40-80%	20-50%	10-30%	0-30%
AVERAGE PRICE	\$8.0060	\$9.0719	\$8.3603	\$7.5033	\$7.5033

Vectren South Quarter

	Sept - Nov 08	Dec 08 - Feb 09	Mar 08 - May 09	Jun - Aug 09	Sept - Nov 09
FIXED VOLUME	1,352,688	1,749,906	659,981	299,940	199,965
PERCENT FIXED	80%	68%	36%	19%	21%
TARGET	70-100%	40-80%	20-50%	10-30%	0-30%
AVERAGE PRICE	\$10.5893	\$11.0720	\$9.5066	\$8.3120	\$8.3119



**Customer Communications &
Live Smart Customer Solutions**

Brand change



Changed brand to “*Live Smart*”

- Regulatory solution that aligns our interests with customers triggered the change
- Brand positioning: Vectren is partnering with its customers to use energy wisely.
- Brand promise: Empowering customers to live smart, manage their energy costs and, thus, lower their bills.

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Pre-winter customer communications

Avoid Bad Bill Reaction

- Call to action for customers to prepare their home and budget before the winter heating season
- Vectren wants to help – with tools and resources to help manage energy costs



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Pre-winter customer communications

Began issuing call to warning for winter bills in June

- Multiple press releases
- Budget Bill recalculation letters mailed to the home
- Bill inserts, blast email messages and web promotions
 - How-to videos on caulking windows, installing low-flow showerheads, weatherstripping or a programmable thermostat
- Speakers bureau solicitation: Mailing to more than 1,500 civic groups, chambers of commerce, various clubs and nonprofits
 - 35 presentations thus far
- Issued winter bill projections a month earlier
- Energy efficiency week segments
 - Partnered with TV outlets in Terre Haute, Lafayette and Evansville to showcase energy efficiency home improvements

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Winter bill projections

Projections as of Sept. 16, 2008

- Vectren North – 15 to 25% increase
 - 5-month bill averages \$780 to \$850
- Vectren South – 15 to 25% increase
 - 5-month bill averages \$710 to \$775

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Winter bill projections

Projections **UPDATE** as of Oct. 24, 2008

- Vectren North – 13% increase
- Vectren South – 13% increase

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Solution #1

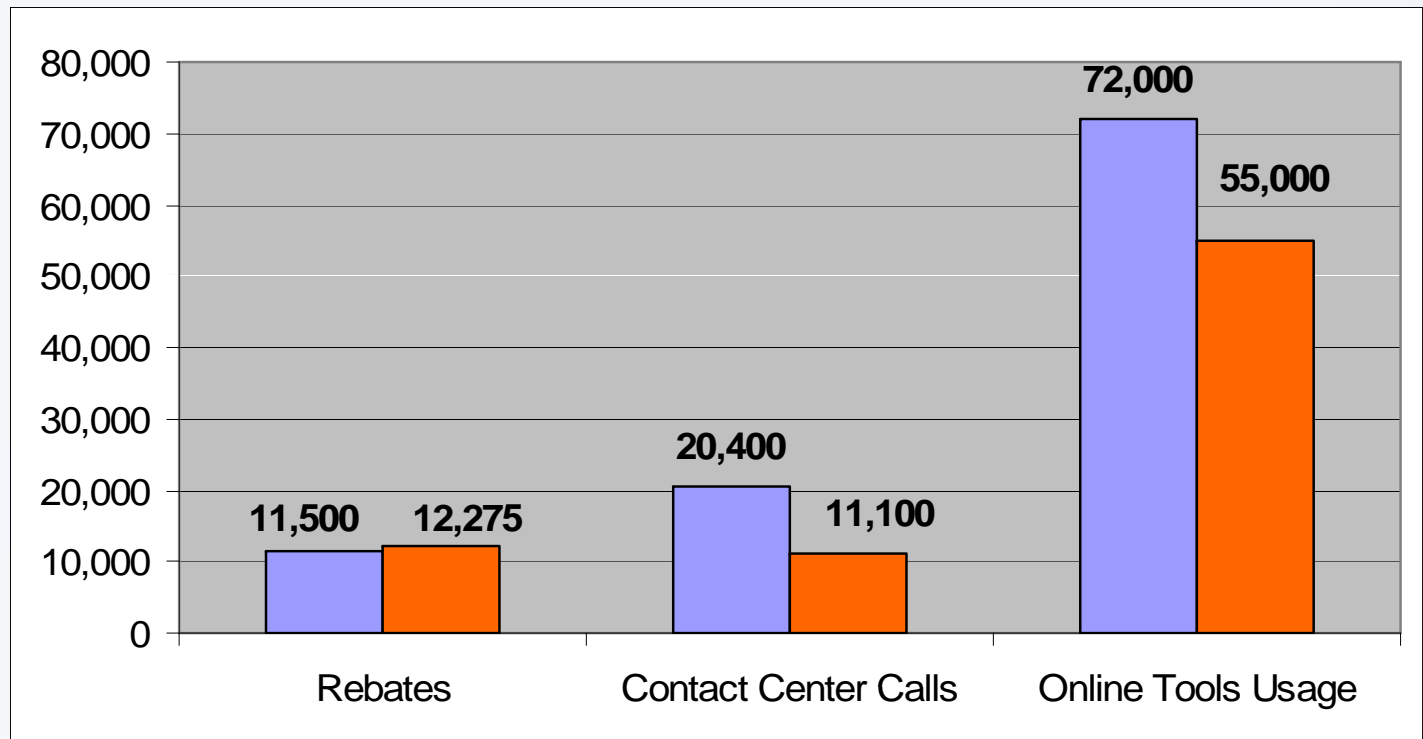


1. Rebates on high-efficiency natural gas appliances and products
2. Online energy audit and bill analysis tools
3. Conservation Connection call center
 - Speak with energy-efficiency experts

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ConservationConnection

 Year 1
 Year 2
through Sept. 30



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Conservation Connection

Program Year 1 - Sept. 30 2007 vs. Program Year 2 through Sept. 30, 2008:

- Residential rebates increased by 55%
- ENERGY STAR Home certifications increased 147%
- Commercial rebates increased by 27%

Therms saved (net):

1 million

Rebate amount allocated:

\$3.9 million

Dec. 1, 2006 – Sept. 30, 2008

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Solution #2

Budget Bill Program

- Nearly 20% of Indiana customers currently enrolled
 - Mid-term recalculation to occur in December for North customers
- Recently concluded a campaign to drive enrollment
 - \$5,000 home energy efficiency makeover

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Solution #3

Financial Assistance - Indiana

LIHEAP: State/federal dollars for those that fall within 150% of federal poverty guidelines; Family of 4 making \$32,000

- Record \$5.1 billion allocated for this season, which is \$2.5 billion above 2008.

Universal Service Program: Automatic bill discount for those who qualify for federal assistance

Payment arrangement or extension – free for all customers

- Extend the bill's due date or make smaller payments over an extended period

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2007-2008 Financial Assistance

LIHEAP

Customers served	28,162
Benefit amount	\$7,880,343
Average benefit	\$280

Universal Service Program

Customers served	25,031
Benefit amount	\$4,248,373
Average benefit	\$170

Hardship/Crisis Program

Customers served	2,280
Benefit amount	\$433,560
Average benefit	\$190

Charities

Customers served	5,392
Benefit amount	\$508,443
Average benefit	\$95

Trustees

Customers served	4,685
Benefit amount	\$771,686
Average benefit	\$165

2007-2008 Totals:

65,550 \$13.8 million

Oct. 1, 2007 – Sept. 30, 2008

Summary

- Sustained high gas costs continue to keep bills high.
- Vectren's gas purchasing strategy continues to help mitigate price volatility.
- Payment options and assistance programs are available to customers.
- Vectren's Conservation Connection program empowers consumers to reduce consumption and their bills and *Live Smart*.

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